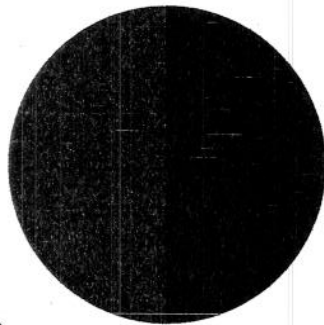


U.S. Small Business Administration
Office of Innovation Research and Technology

SBA

POLICY DIRECTIVE

Small Business Technology Transfer (STTR)
Three Year Pilot Program
1993



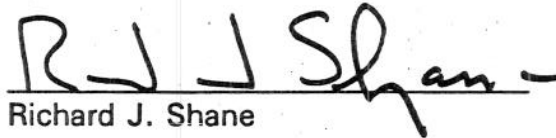
Small Business Technology Transfer Program Policy Directive

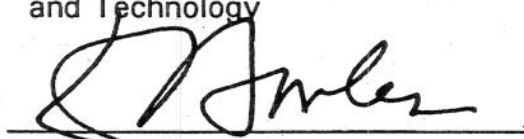
To The Heads of Executive Departments and Establishments

**SUBJECT: Small Business Research and Development Enhancement Act of 1992
Small Business Technology Transfer (STTR) Pilot Program**

1. **Purpose.** To provide a policy directive for the general conduct of the Small Business Technology Transfer (STTR) Pilot Programs within the Federal government.
2. **Authority.** This policy directive is issued pursuant to the authority contained in 15 U.S.C. 638(j) -- Small Business Research and Development Enhancement Act of 1992 (P.L. 102-564).
3. **Procurement Regulations.** It is recognized that the Federal Acquisition Regulation (FAR) may need to be modified to conform to the requirements of The Small Business Research and Development Enhancement Act of 1992 and this policy directive. Agencies responsible for these procurement regulations are encouraged to initiate such changes. Regulatory provisions pertaining to areas of SBA responsibility, as established by P.L. 102-564, will require approval of the SBA Administrator or designee. The SBA Office of Innovation, Research and Technology is the appropriate office for coordinating such regulatory provisions.
4. **Personnel Concerned.** All Federal government personnel who are involved in the administration, funding agreements and technical process of the Small Business Technology Transfer (STTR) Pilot Program.
5. **Distribution.** Federal government agencies and departments with Small Business Technology Transfer (STTR) Pilot Programs as authorized by P.L. 102-564.
6. **Originator.** U. S. Small Business Administration, Office of Innovation, Research and Technology.

Authorized By:


Richard J. Shane
Assistant Administrator
SBA Office of Innovation, Research
and Technology


Erskine B. Bowles
Administrator
U.S. Small Business Administration

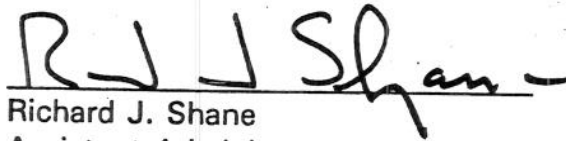
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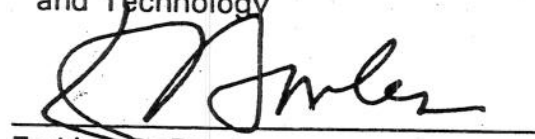
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Authorized By:


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Assistant Administrator
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U.S. Small Business Administration

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1. PURPOSE

- a. Section 9(p) of the Small Business Act (15 U.S.C. 638, as amended by P.L. 102-564) requires that the Small Business Administration issue a policy directive for the general conduct of the STTR Pilot Programs within the Federal government.
- b. This policy directive fulfills the statutory obligation of the legislation and provides guidance to the participating Federal agencies for the general conduct of the STTR Pilot Program. Additional instructions may be issued by the Small Business Administration (SBA) as a result of public comment or experience. These instructions will be issued as additional or replacement pages for this directive.

2. SUMMARY OF LEGISLATIVE PROVISIONS

- a. The Small Business Research and Development Enhancement Act of 1992, P.L. 102-564, that became law on October 28, 1992, amends Section 9 of the Small Business Act (15 U.S.C. 638).

Title II of this legislation, entitled the "Small Business Technology Transfer Act of 1992" (the Act), establishes the Small Business Technology Transfer Pilot Program.

- (1) The Act authorizes Federal agencies to establish STTR Pilot Programs if their FY 1994, 1995, or 1996 extramural budgets for research or research and development (R/R&D) exceed stated threshold figures (\$1 billion).
- (2) The statutory requirements are aimed at assisting small business concerns by establishing a uniform, simplified process for the operation of the STTR Pilot Program while allowing the participating agencies flexibility in the content and operation of their individual STTR Pilot Programs.
- (3) The Act authorizes each participating agency to establish an STTR Pilot Program by reserving a statutory percentage of its extramural budget to be awarded to small business concerns for R/R&D through a uniform, three-phase process.
 - (a) The first two phases will help agencies meet R/R&D and commercialization objectives.

(b) The third phase, where appropriate, is:

(1) to pursue commercial applications from the government-funded R/R&D in order to stimulate technological innovation and provide for the national return on investment from R/R&D and/or

(2) for further contracting or grant activities with Federal agencies through non-STTR funding agreements.

(4) The Act mandates that each agency authorized to have an STTR Pilot Program is to report annually to SBA. The Act also requires agencies with STTR Pilot Programs to report annually to the Office of Science and Technology Policy.

b. On October 28, 1992, the President signed P.L. 102-564 which authorizes the STTR Pilot Program for the fiscal years 1994, 1995, and 1996.

(1) Effective March 31, 1985, Section 2732(a) of Title VII of the Competition in Contracting Act of 1984, P.L. 98-369, must be read in conjunction with the procurement notice publication requirements of Section 8(e) of the Small Business Act (15 U.S.C. 637(e)). Therefore, the notice publication requirements of the law apply to agencies participating in the STTR Pilot Program which use contracts as their STTR funding agreements.

(a) Any Federal executive agency intending to solicit a proposal for a contract for property or services valued above \$25,000 is required to submit a notice of the impending solicitation for publication in the Commerce Business Daily. No agency shall issue its solicitation for at least 15 days from the date of the publication of the notice. The agency may not establish a deadline for submission of proposals in response to such solicitation that is earlier than 30 days after the date on which the solicitation was issued.

(b) The Competition in Contracting Act also requires that any executive agency awarding a contract for property or services valued at more than \$25,000 submit a notice for publication to the Secretary of Commerce announcing such an award for publication if a subcontract is likely to result from such contract.

(2) The following are exemptions from the notice publication requirements:

(a) In the case of agencies intending to solicit Phase I proposals for contracts in excess of \$25,000, the head of the agency may exempt a particular solicitation from the notice publication requirements if he/she makes a written determination, with the consultation of the Administrator of the Office of Federal Procurement Policy and the Administrator of the Small Business Administration, that it is inappropriate or unreasonable to publish a notice before issuing a solicitation.

(b) The STTR Phase II awards process is exempted.

3. MINIMIZING REGULATORY BURDEN

a. Important objectives in implementing STTR Pilot Program procedures are to:

(1) Minimize the creation of new or complex regulations.

(2) Ensure that the program's requirements are met.

(3) Simplify and standardize application of existing regulations related to the program. The explicit nature of the STTR legislation concerning certain recognized acquisition procedures provides a strong base of authority for streamlining the process for obtaining R/R&D from small highly innovative business concerns.

(a) The above includes funding allocations, centralized STTR technology management, and routine operational implementation.

(b) Where not contrary to existing statutory requirements, each agency is authorized to establish financial procedures and financing mechanisms that it deems necessary to properly implement the STTR Pilot Program, including, but not limited to, obligating funds solely on the basis of proposal merit without regard to the purpose for which funds were originally appropriated, and transferring assessed funds to a single account to facilitate financial management, reporting, and oversight.

- (c) The participating agencies are encouraged to initiate or continue their development of simplified procedures that may be used on STTR actions and to submit information concerning simplified procedures to the SBA for possible general program improvements.
- b. No participating agency may promulgate a rule or regulation that is contrary to or inconsistent with the STTR legislation or this policy directive.

DEFINITIONS

- a. Small Business Technology Transfer Pilot Program (STTR). A pilot program under which a portion of a Federal agency's extramural research or research and development effort is reserved for award to small business concerns for cooperative research and development through a uniform process having three phases. The program is described in this directive.
- b. Research or Research and Development (R/R&D). Any activity that is:
 - (1) A systematic, intensive study directed toward greater knowledge or understanding of the subject studied.
 - (2) A systematic study directed specifically toward applying new knowledge to meet a recognized need.
 - (3) A systematic application of knowledge toward the production of useful materials, devices, and systems or methods, including design, development, and improvement of prototypes and new processes to meet specific requirements.
- c. Cooperative Research and Development. For the purposes of the STTR Program this means research and development conducted jointly by a small business concern and a research institution in which not less than 40 percent of the work is performed by the small business concern, and not less than 30 percent of the work is performed by the research institution.
- d. Extramural Budget. The sum of the total obligations for R/R&D minus amounts obligated for R/R&D activities by employees of the agency in or through government-owned, government-operated facilities.

- e. Federal Agency. An executive agency as defined in 5 U.S.C. 105, or a military department as defined in 5 U.S.C. 102 except that it does not include any agency within the Intelligence Community as defined in Executive Order 12333, section 3.4(f), or its successor orders.
- f. Funding Agreement. Any contract, grant, or cooperative agreement entered into between any Federal agency and any small business concern for the performance of experimental, developmental, or research work funded in whole or in part by the Federal government.
- g. Research Institution. A U. S. research organization that is:
 - (1) A contractor-operated federally funded research and development center, as identified by the National Science Foundation in accordance with the government-wide Federal Acquisition Regulation issued in accordance with section 35(c)(1) of the Office of Federal Procurement Policy Act (or any successor legislation thereto), or
 - (2) A non-profit research institution as defined in section 4(5) of the Stevenson-Wydler Technology Innovation Act of 1980, or,
 - (3) A non-profit college or university.
- h. Subcontract. Any agreement, other than one involving an employer-employee relationship, entered into by a federal government funding agreement awardee calling for supplies or services required solely for the performance of the original funding agreement.
- i. Socially and Economically Disadvantaged Small Business Concern. A socially and economically disadvantaged small business concern:
 - (1) Is one that is at least 51 percent owned by (i) an Indian tribe or a native Hawaiian organization, or (ii) one or more socially and economically disadvantaged individuals, and
 - (2) Whose management and daily business operations are controlled by one or more socially and economically disadvantaged individuals.
- j. Socially and Economically Disadvantaged Individual. Presumptively a member of any of the following groups:
 - (1) Black Americans
 - (2) Hispanic Americans

- (3) Native Americans
- (4) Asian-Pacific Americans
- (5) Subcontinent Asian Americans
- (6) Other groups designated from time to time by SBA to be socially disadvantaged; or
- (7) Any other individual found to be socially and economically disadvantaged by SBA pursuant to Section 8(a) of the Small Business Act, 15 U.S.C. 637(a).

k. Small Business Concern. A small business concern is one that, at the time of award of Phase I and Phase II funding agreements, meets the following criteria:

- (1) Is independently owned and operated, is not dominant in the field of operation in which it is proposing, has its principal place of business located in the United States and is organized for profit;
- (2) Is at least 51 percent owned, or in the case of a publicly owned business, at least 51 percent of its voting stock is owned by United States citizens or lawfully admitted permanent resident aliens;
- (3) Has, including its affiliates, a number of employees not exceeding 500, and meets the other regulatory requirements found in 13 CFR Part 121. Business concerns, other than investment companies licensed, or state development companies qualifying under the Small Business Investment Act of 1958, 15 U.S.C. 661, et seq., are affiliates of one another when either directly or indirectly:
 - (a) one concern controls or has the power to control the other; or
 - (b) a third party or parties controls or has the power to control both.

Control can be exercised through common ownership, common management, and contractual relationships. The term "affiliates" is defined in greater detail in 13 CFR 121. The term "number of employees" is also defined in 13 CFR 121. Business concerns include, but are not limited to, any individual, partnership, corporation, joint venture, association or cooperative.

l. Women-Owned Small Business Concern. A small business concern that is at least 51 percent owned by a woman or women who also control and operate it. "Control" in this context means exercising the power to make policy decisions. "Operate" in this context means being actively involved in the day-to-day management.

- m. Program Solicitation. A formal solicitation of proposals whereby a Federal agency notifies the small business community of its R/R&D needs and interests in selected areas and requests proposals in response to these needs from small business concerns. Announcements in the Federal Register or the Commerce Business Daily are not to be considered substitutes for an STTR Program solicitation.
- n. United States. The 50 states, the territories and possessions of the U.S., the Commonwealth of Puerto Rico, the Trust Territory of the Pacific Islands, and the District of Columbia.
- o. Commercialization. The process of developing markets and producing and delivering products for sale (whether by the originating party or by others); as used here, commercialization includes both government and commercial (private sector) markets.

5. PARTICIPATING FEDERAL AGENCY EXPENDITURES FOR THE STTR PROGRAM

- a. Each Federal agency which has an extramural budget for R/R&D in excess of \$1,000,000,000 for FY 1994, 1995, or 1996, is authorized to expend with small business concerns not less than .05% of such budget in fiscal year 1994; not less than .1% of such budget in fiscal year 1995; and not less than .15% of such budget in fiscal year 1996, specifically in connection with STTR Programs which meet the requirements of the Small Business Research and Development Enhancement Act of 1992, this policy directive, and regulations issued thereunder.
- b. Funding agreements with small business concerns for research or research and development which result from competitive or sole source selections other than an STTR Program shall not be considered to meet any portion of the percentage required under the STTR Program.

6. LIMITATIONS OF PARTICIPATION

- a. A Federal agency shall not use any of its STTR budget for the purpose of funding administrative costs of the program including costs associated with budgetary salaries and expenses, or in the case of a small business concern or a research institution, costs associated with salaries, expenses and administrative overhead other than those direct or indirect costs allowable under guidelines of the Office of Management and Budget and the governmentwide Federal Acquisition Regulation issued in accordance with section 25(c)(1) of the Office of Federal Procurement Policy Act.

- b. Awards resulting from other than an STTR Program may not be counted toward meeting STTR Program funding levels or achievement.
- c. Voluntary participation in the STTR Programs by Federal agencies not otherwise qualified for such participation may be permitted under this policy directive.

Federal agencies seeking to participate in STTR need to submit their requests to SBA. Voluntary participation requires the written approval of the SBA Assistant Administrator for Innovation, Research and Technology subsequent to review of the request.

7. SMALL BUSINESS TECHNOLOGY TRANSFER PILOT PROGRAM

- a. The STTR Program is a phased process uniform throughout the Federal government of soliciting proposals and awarding funding agreements for R/R&D to meet stated agency needs or missions.
- b. Each participating agency shall at least annually issue an STTR solicitation that sets forth a substantial number of R/R&D topic and subtopic areas consistent with stated agency needs or missions. Both the list of topics and the description of the topics and subtopics shall be sufficiently comprehensive to provide a wide range of opportunity for small business concerns to participate in the agency R/R&D programs. Topics and subtopics shall emphasize the need for proposals with advanced concepts to meet specific agency R/R&D needs. Each topic and subtopic shall describe the needs in sufficient detail so as to assist small business concerns in providing on-target responses, but shall not involve detailed specifications to prescribed solutions of the problems.

Unsolicited proposals or proposals not responding to stated topics or subtopics are not eligible for STTR awards.

- c. Research or research and development in the STTR Program is to be conducted jointly by a small business concern and a non-profit research institution. Not less than 40 percent of the work conducted under an STTR award is to be performed by the small business concern, and not less than 30 percent of the work is to be performed by the non-profit research institution.

Also, for both Phase I and Phase II, the R/R&D work must be performed in the United States, as defined in paragraph 4.n. of this policy directive.

- d. To stimulate and foster scientific and technological innovation, including increasing commercialization of Federal R/R&D, the STTR Program must follow a uniform competitive process of three phases:

(1) PHASE I. Phase I involves a solicitation of proposals to conduct feasibility related experimental or theoretical R/R&D related to described agency requirements. The object of this phase is to determine the scientific, technical and commercial merit and feasibility of the proposed cooperative effort and the quality of performance of the small business concern with a relatively small agency investment before consideration of further Federal support in Phase II.

- (a) Several different proposed solutions to a given problem may be funded.
- (b) Proposals will be evaluated on a competitive basis. Agency criteria used to evaluate STTR proposals shall give primary consideration to the scientific and technical merit of the proposal along with its potential for commercialization. Secondary considerations may include program balance or critical agency requirements.
- (c) Agencies may include a provision requiring submission of a Phase II proposal as a deliverable item under Phase I.
- (d) Efforts shall be taken by agencies to reduce the procurement time frame for Phase II awards. Agencies are encouraged to develop gap-funding methods and to address the duration of Phase II award cycles.

(2) PHASE II. The object of Phase II is to continue the R/R&D effort from Phase I. Only awardees in Phase I are eligible to participate in Phase II. Phase I awardees are eligible for consideration of Phase II STTR funding agreements only at the Federal participating agency which awarded Phase I of the project. Funding shall be based upon the results of Phase I and the scientific and technical merit and commercial potential of the Phase II proposal. Phase II awards may not necessarily complete the total research and development that may be required to satisfy commercial or Federal needs beyond the STTR Program. Completion of the research and development may be through Phase III. The government is not obligated to fund any specific Phase II proposal. The STTR Phase II award decision process requires, among other things, consideration of a proposal's commercial potential as evidenced by:

- (a) the small business concern's record of commercializing STTR or other research,

- (b) the existence of second phase funding commitments from private sector or non-STTR funding sources,
 - (c) the existence of third phase follow-on commitments for the subject of the research, and
 - (d) the presence of other indicators of commercial potential of the idea.
- (3) **PHASE III.** The term third phase agreement means a follow-on, non-STTR funded award as described in 1, 2 and 3 below. A Federal agency may enter into a third phase agreement with a small business concern for additional work to be performed during or after the second phase period. The second phase funding agreement with the small business concern may, at the discretion of the agency awarding the agreement, set out the procedures applicable to third phase agreements. The competition for Phase I and Phase II awards satisfies any competition requirement of the Competition in Contracting Act.
- (a) Where appropriate, there will be a third phase which is funded by:
 - 1. non-Federal sources of capital for commercial applications of STTR funded research or research and development,
 - 2. the Federal government by follow-on non-STTR awards for STTR derived products and processes for use by the Federal government,
 - 3. non-STTR Federal sources for the continuation of research or research and development that has been competitively selected using peer review or scientific review criteria.
 - (b) Agencies which intend to pursue research, research and development or production of a technology developed by a small business concern under the STTR Program will give special acquisition preference such as sole source awards to the STTR company which developed the technology. The Phase III funding agreement will be with non-STTR funds.

8. UNILATERAL ACTIONS OF PARTICIPATING AGENCIES AND DEPARTMENTS

a. The Act requires each participating agency to:

- (1) Unilaterally determine the categories of projects to be included in its STTR Program.
- (2) Release STTR solicitations in accordance with the SBA/STTR master schedule.
- (3) Subject to paragraph 12, unilaterally determine research topics within its STTR solicitation(s) giving special consideration to broad research topics and to topics that further one or more critical technologies, as identified by:
 - (a) the National Critical Technologies Panel (or its successor) in the 1991 report required under section 603 of the National Science and Technology Policy Organization and Priorities Act of 1976, and in subsequent reports issued under that authority, or
 - (b) the Secretary of Defense in the 1992 report issued in accordance with section 2522 of Title 10, United States Code, and in subsequent reports issued under that authority.
- (4) Unilaterally receive and evaluate proposals resulting from STTR solicitations and make awards.
- (5) Unilaterally select awardees for its STTR funding agreements.
- (6) Administer its own STTR funding agreements or delegate such administration to another agency; and inform each awardee under such agreement, to the extent possible, of the costs of the awardee that will be allowable under the funding agreement.
- (7) Each funding agreement under the STTR Program shall include provisions setting forth the respective rights of the United States and the small business concern with respect to intellectual property rights and with respect to any right to carry out follow-on research.
- (8) Make payments to recipients of STTR funding agreements on the basis of progress toward or completion of the funding agreement requirements and in all cases make payment to recipients under such agreements in full, subject to audit, on or before the last day of the 12-month period beginning on the date of completion of such requirements.

- (9) Make an annual report on the STTR Program to SBA and to the Office of Science and Technology Policy.
- (10) Develop a model agreement, not later than July 31, 1993, to be approved by SBA, for allocating between small business concerns and research institutions intellectual property rights and rights if any, to carry out follow-on research, development or commercialization.
- (11) Develop, in consultation with the Office of Federal Procurement Policy and the Office of Government Ethics, procedures to ensure that federally funded research and development centers that participate in STTR agreements:
 - (a) are free from organizational conflicts of interests relative to the STTR Program;
 - (b) do not use privileged information gained through work performed for an STTR agency or private access to STTR agency personnel in the development of an STTR proposal; and
 - (c) use outside peer review as appropriate.
- (12) Develop no later than July 31, 1993, procedures for assessing the commercial merit and feasibility of STTR proposals. These procedures should consider:
 - (a) the small business concern's record of successfully commercializing STTR or other research;
 - (b) the existence of second phase funding commitments from private sector or non-STTR funding sources;
 - (c) the existence of third phase follow-on commitments for the subject of the research; and
 - (d) the presence of other indicators of the commercial potential of the idea.

SBA/STTR SOURCE FILE

- a. **SBA Small Business Technology Transfer (STTR) Program Source File.**
The SBA will develop and maintain an STTR mailing list of interested small business concerns. In maintaining this list, SBA will adhere to the provisions of The Freedom of Information Act, The Privacy Act of 1974, 13 C.F.R. 102.20 and 13 C.F.R. 102.3(j). Labels from this list will be available to the Federal participating agencies for STTR solicitation purposes. Written requests containing justification for the need of labels

from this mailing list should be submitted to the Office of Innovation, Research & Technology, U. S. Small Business Administration, 409 Third Street, S.W., Washington, D. C. 20416. A two-week period is required to fill these requests.

- b. SBA Procurement Automated Source System (PASS). SBA's Office of Procurement Assistance has a Procurement Automated Source System (PASS) that maintains capability profiles of small businesses interested in Federal government procurement opportunities. This system is used by Federal agencies and major prime contractors to identify small business concerns with capabilities needed by the agencies or prime contractors. Agencies interested in accessing PASS should contact their nearest SBA Procurement Assistance Office.
- c. Federal Procurement Data System (FPDS). Participating agencies should review FPDS data that identify small business awardees of R/R&D contracts as a potential supplement to their existing source data base.
- d. Other Sources. Agencies may maintain their own mailing lists or use other sources.

10. SBA COORDINATION OF NATIONAL CRITICAL TECHNOLOGIES

- a. SBA will annually obtain information on the current critical technologies from both the National Critical Technologies Panel (or its successor) and the Secretary of Defense and provide such information to the participating Federal agencies and potential STTR participants.
- b. The SBA Office of Innovation, Research and Technology will contact the panel and the Department of Defense and request this data in June of each year. The data received will then be submitted by letter to each of the participating Federal agencies .

11. SBA COORDINATION OF STTR SOLICITATION SCHEDULES

- a. The Act requires issuance of STTR (Phase I) Program solicitations in accordance with a master schedule coordinated between SBA and the Federal participating agency. The SBA organization responsible for coordination is:

Office of Innovation, Research and Technology
U. S. Small Business Administration
409 Third Street, S.W.
Washington, D.C. 20416

- b. For maximum participation by interested small business concerns, it is important that the planning, scheduling and coordination of agency STTR solicitation release dates be completed as early as practicable in order to accommodate the commencement of the fiscal year on October 1.

Bunching of agency STTR solicitation release and closing dates may prohibit small business concerns from the preparation and timely submission of proposals for more than one STTR project. SBA's coordination of agency schedules will minimize the bunching of proposed release and closing dates. Participating agencies may elect to publish multiple solicitations within a given fiscal year to facilitate in-house agency proposal review and evaluation scheduling.

- c. To accomplish the MASTER SCHEDULE coordination process, the following procedure will be followed:
- (1) The SBA may publish STTR Pre-Solicitation Announcements annually. However, the STTR Pre-Solicitation Announcement will not be published for any period in which participating agencies are not soliciting proposals. The STTR solicitation release date shall not be prior to 10 days after publication of the Pre-Solicitation Announcement (PSA) which contains notice of that specific STTR solicitation.
 - (2) Each agency representative will notify SBA in writing of its proposed STTR solicitation release and proposal due dates for the next fiscal year on or before August 1. The SBA and the agency representatives will coordinate the resolution of any conflicting agency solicitation dates by the second week of August. In all cases, final decisions will be made by SBA's Office of Innovation, Research and Technology.

12. SBA (PHASE I) STTR PROGRAM PRE-SOLICITATION ANNOUNCEMENTS

- a. SBA Publication. The SBA, as required by public law, shall prepare and publish STTR Phase I Pre-Solicitation Announcements (PSAs) covering all participating Federal agencies. Any agency solicitation announcement changes that occur prior to or after the release of the STTR PSA must immediately be reported in writing to the SBA by the agency STTR representative. If possible, announcement amendments will be released reflecting such changes. Each issue of the STTR PSA will be based upon data received from the participating agencies. However, the agencies are advised that:
- (1) The publication of the STTR PSA is not intended to restrict or prohibit application of customary or other internal agency procedures designed to obtain publicity for its R/R&D programs.

- (2) The STTR PSA publications by SBA shall not be interpreted as a substitute or relief vehicle for existing statutory and regulatory publication requirements related to individual or specific procurement/grant actions.
- b. STTR Pre-Solicitation Announcement (PSA) Content. The STTR PSA will include sufficient data to effectively apprise interested small business concerns throughout the Nation of forthcoming STTR Program solicitations -- thereby assisting the participating agencies in identifying prospective responsible sources. The agencies shall provide the required information to SBA no later than 30 days prior to the PSA release date in accordance with the master schedule. The following information is required:
- (1) The list of topics upon which R/R&D proposals will be sought. Each R/R&D topic shall have up to 10 words in its title.
 - (2) Agency address and/or phone number from which STTR Program solicitations can be obtained.
 - (3) Names, addresses, and phone numbers of agency contact points where STTR-related inquiries may be directed.
 - (4) Release date(s) of program solicitation(s).
 - (5) Closing date(s) for receipt of proposals.
 - (6) Estimated number and average dollar amounts or level of effort of Phase I awards to be made under the solicitation.
- c. For those agencies which use both general topic and more specific subtopic designations in their STTR solicitations, the topic data to be submitted for purposes of the STTR PSA publication should accurately describe the research solicited. Rather than just announcing topic information characterized as "Chemistry" or "Aerodynamics," summarize the subtopic statements and, where appropriate, utilize National Critical Technologies.
- d. The STTR PSA will also include notices of STTR conferences and seminars. Only STTR conferences/seminars sponsored by the STTR Federal participating agencies or STTR conferences/seminars sponsored or co-sponsored by the U.S. Small Business Administration will be considered for publication in the STTR Pre-Solicitation Announcement (PSA).

13. SIMPLIFIED, STANDARDIZED AND TIMELY STTR PROGRAM SOLICITATIONS

- a. Instructions for STTR Program Solicitation Preparation. The Small Business Act requires ". . . simplified, standardized and timely STTR solicitations" (Section 9(p)(2)(A)). Further, the Act requires the STTR Programs of participating agencies to use a "simplified, standardized funding process" and that the regulatory burden of participating in the STTR Programs be minimized.
- b. Therefore, the instructions in the Appendix to this policy directive purposely depart from normal government solicitation format and requirements. STTR Program solicitations shall be prepared according to the attached Appendix.
- c. Agencies shall provide the SBA Office of Innovation, Research and Technology, 5 copies of each solicitation and any modifications thereto no later than the date of release of the solicitation or modification to the public.
- d. Non-STTR R/R&D-Related Actions. It is not intended that the STTR Program solicitation replace or be used as a substitute for unsolicited proposals or R/R&D awards to small business concerns authorized by existing regulations; or, are the STTR Program solicitation procedures intended to prohibit other agency R/R&D actions with small business concerns that are carried on in accordance with applicable statutory/regulatory authorizations.

14. SIMPLIFIED AND STANDARDIZED STTR FUNDING PROCESS

In its requirement for the establishment of a "simplified, standardized funding process," the STTR legislation requires that specific attention be given to the following areas of STTR Program administration:

- a. Timely Receipt and Review of Proposals.
 - (1) Participating agencies shall establish firm schedules and review formats for appropriate distribution of the proposals for reviewing recommendations and submission to the STTR Program manager for award determinations.
 - (a) All activities related to Phase I proposal reviews shall normally be completed and awards made within 6 months from the closing date of the STTR solicitation.
 - (b) The STTR Program solicitations for Phase I will establish proposal submission dates. Related to Phase II activity, an agency may establish set proposal submission dates. However,

it is anticipated that each agency will negotiate mutually acceptable proposal submission dates with individual Phase I performers, accomplish proposal reviews expeditiously, and proceed with awards.

While it is recognized that Phase II arrangements between the agency and proposer may require more detailed negotiation to establish terms acceptable to both parties, the agencies must not sacrifice the R/R&D momentum created under Phase I by engaging in unnecessarily protracted Phase II proceedings.

- (c) It can be anticipated that STTR participants will submit duplicate or similar proposals to more than one soliciting agency when the work projects appear to involve similar topics or requirements which are within the expertise and capability levels of the small business proposer. To the extent reasonably feasible, interagency funding duplications related to acquiring similar technology under the STTR or other Federal programs should not occur.

For this purpose, the standardized STTR Program solicitation will require the proposers to indicate the name and address of the agencies to which duplicate or similar proposals were made and to identify by subject the projects for which the proposal was submitted and the dates submitted. The same information will be required for any previous Federal government awards.

To assist in avoiding duplicate funding, each agency shall provide SBA and each participating STTR agency with a listing of Phase I and Phase II awardees including the complete address and title of the project. This information should be distributed no later than release of contract award information to the public.

- b. Review of STTR Proposals. Agencies are encouraged to use their normal review process for STTR proposals whether internal or external evaluation is used. A more limited review process may be used for Phase I due to the larger number of proposals anticipated. Where appropriate, "peer" reviews, that are external to the agency, are authorized by the STTR legislation. Participating agencies are cautioned that all review procedures shall be formulated to minimize any possible conflict of interest as it pertains to proposer proprietary data. The standardized STTR solicitation will advise potential proposers that proposals may be subject to an established external review process, but that the proposer may include company designated proprietary information in its proposal.

Proprietary Information Contained in Proposals. In preparation of the standardized STTR Program solicitation as described in the Appendix of this policy directive, provisions will be included requiring confidential treatment of proprietary information to the extent permitted by law. Offerors will be discouraged from submitting information considered proprietary unless it is deemed essential for proper evaluation of the proposal. The solicitation will require that all proprietary information be clearly identified and marked with a prescribed legend. Agencies may elect to require proposers to limit proprietary information to that essential to the proposal and to have such information submitted on a separate page or pages keyed to the text.

Selection of Awardees. Participating agencies shall establish a proposal review cycle wherein successful and unsuccessful proposers shall be notified of final award decisions within 6 months of the agency's Phase I proposal closing date.

- (1) The standardized STTR Program solicitation shall:
 - (a) Advise Phase I proposers that additional information may be requested by the awarding agency to evidence awardee responsibility for project completion.
 - (b) Contain information advising potential offerors of basic proposal evaluation criteria for Phase I and Phase II.
- (2) Phase II proposal submissions, review, and selections shall be managed by arrangements between the agency and each Phase I awardee considered for Phase II award.

Within 30 days of the date of award of funding agreements - three copies of the Technical Abstract (containing all information described in the Appendix Paragraph III, ~~C-1-6~~) for Phase I and Phase II awards shall be submitted to the SBA. ↗ 1-8

Certification of Size of Firm. The Act requires that participating agencies ensure that only small business concerns are recipients of STTR awards.

Awarding documents are to include a signed statement by the awardee that the definition of a small business concern as described in Section 4 of this policy directive is met.

Management of the STTR Project. The small business concern, and not the non-profit research institution, is to provide satisfactory evidence that it will exercise management direction and control of the performance of

the STTR funding agreement. Regardless of the proportion of the work or funding of each of the performers under the contract, the small business concern is to be primary contractor or grantee with overall responsibility for its performance.

All agreements between the small business concern and the research institution cooperating in the STTR projects, or any business plans reflecting agreements and responsibilities between the parties during performance of Phase I or II of STTR, or for the commercialization of the resulting technology, should reflect the controlling position of the small business concern.

- g. Rights in Data Developed Under STTR Funding Agreement. The STTR legislation provides for "retention of rights in data generated in the performance of the contract by the small business concern".
- (1) The intent of the statute is to provide authority for the participating agency to protect technical data generated under the funding agreement, and to refrain from disclosing such data to competitors of the small business concern or from using the information to produce future technical procurement specifications that could harm the small business concern that discovered and developed the innovation until the small business concern has a reasonable chance to seek patent protection, if appropriate.
 - (2) Therefore, except for program evaluation, participating agencies shall protect such technical data for a period of not less than 4 years from the completion of the project from which the data were generated unless the agencies obtain permission to disclose such data from the contractor or grantee. The government shall retain a royalty-free license for government use of any technical data delivered under an STTR funding agreement whether patented or not.
- h. Allocation of Rights: A small business concern, before receiving an STTR award, must negotiate a written agreement between the small business concern and the research institution, allocating intellectual property rights and rights, if any, to carry out follow-on research, development, or commercialization. The small business concern must submit this agreement to the awarding agency on request; either with the proposal or at any time thereafter. The small business concern must certify in all proposals that the agreement is satisfactory to the small business concern.

The participating agency may accept an existing agreement between the two parties if it is fair to the small business concern and does not conflict with the interests of the Federal government.

In those instances where a small business concern requests assistance in developing a written agreement, the participating agency will provide a model agreement to be used as guidance by the small business in the development of an agreement.

The model agreement provided to the small business concern should direct the parties, as a minimum, to:

- (1) state specifically the degree of responsibility, and ownership of any product, process, or other invention or innovation resulting from the cooperative research. The degree of responsibility shall include responsibility for expenses and liability, and the degree of ownership shall also include the specific rights to revenues and profits.
- (2) state which party may obtain U. S. or foreign patents or otherwise protect any inventions resulting from the cooperative research.
- (3) state which party has the right to any continuation of research including non-STTR follow-on awards.

The Federal government will not normally be a party to any agreement between the small business concern and the research institution. Nothing in the agreement is to conflict with any provisions setting forth the respective rights of the United States and the small business concern with respect to intellectual property rights and with respect to any right to carry out follow-on research.

- i. Title Transfer of Agency Provided Property. Under STTR legislation, title to equipment purchased in relation to project performance with funds provided under STTR funding agreements may be transferred to the awardee where such transfer would be more cost effective than recovery of the property by the government.
- j. Continued Use of Government Equipment. STTR legislation directs that a small business concern participating in the third phase of the STTR Program be given continued use, as a directed bailment, of any property transferred by a Federal agency to the small business concern in the second phase of an STTR Program for a period of not less than 2 years, beginning on the initial date of the concern's participation in the third phase of such program.

k. Cost Sharing.

- (1) Cost participation could serve the mutual interest of the participating agencies and certain STTR awardees by helping to assure the efficient use of available resources. Cost-sharing, however, shall not normally be encouraged except where required by other statutes.
- (2) Except where required by other statutes, participating agencies shall not, as a general policy, request or require cost sharing on Phase I projects. The standardized STTR Program solicitation (Appendix) will, however, provide information to prospective STTR performers concerning cost-sharing. Cost participation will not be a consideration factor in evaluation of Phase I proposals except where required by other statutes.

l. Payment Schedules and Cost Principles.

STTR performers may be paid under an applicable, authorized progress payment procedure or in accordance with a negotiated/definitized price and payment schedule. Advance payments are optional and may be made under appropriate public law. In all cases, agencies must make payment to recipients under STTR agreements in full, subject to audit, on or before the last day of the 12-month period beginning on the date of completion of such requirements.

All STTR funding agreements shall use, as appropriate, current cost principles and procedures authorized for use by the participating agencies. At the time of award, agencies shall inform each STTR awardee, to the extent possible, of the applicable Federal regulations and procedures which refer to the costs that generally will be allowed under funding agreements.

- m. Funding Agreement Types and Fee or Profit. The legislative requirements for uniformity and standardization require that there be consistency in application of STTR Program provisions among participating agencies. This consistency must consider, however, the need for flexibility by the various agencies in missions and needs as well as the wide variance in funds required to be devoted to STTR Programs in the agencies. The following guidelines are for the purpose of meeting these requirements:

- (1) Funding Agreement. The choice of type of funding agreement (contract, grant, or cooperative agreement) rests with the awarding agency but must be consistent with the guidelines in P.L. 95-224 (41 U.S.C. 501), as amended by P.L. 97-258 (31 U.S.C. 6301-6308).

- (2) Fee or Profit. Unless expressly excluded by statute, awarding agencies are to provide for a reasonable fee or profit on STTR funding agreements, including grants, consistent with normal profit margins provided to profit-making firms for R/R&D work.

n. Periods of Performance and Extensions.

- (1) In keeping with the legislative intent to make a large number of relatively small awards, modification of funding agreements to extend periods of performance, increase the scope of work, or to increase the dollar amount should be minimized, except for options in the original Phase I or Phase II awards.
- (2) Phase I. Period of performance should normally be approximately 1 year except where agency needs or research plans require otherwise. Exceptions should be minimized.
- (3) Phase II. Period of performance under Phase II is the subject of negotiations between the selected Phase I recipient and the awarding agency. However, the duration of Phase II should normally be approximately 2 years. Exceptions should be minimized.

o. Dollar Value of Awards.

- (1) The STTR legislation establishes 1-year awards for the first phase of an STTR program generally not to exceed \$100,000, and 2-year awards for the second phase of an STTR Program generally not to exceed \$500,000.
- (2) After award of any funding agreement exceeding \$100,000 for Phase I or \$500,000 for Phase II, the agency STTR representative shall provide SBA with written justification of such action. The justification shall be submitted with the STTR Annual Report data. Similar justification is required for any dollar increase of a funding agreement which would bring the cumulative dollar amount to a total in excess of the aforestated amounts.

- p. Grant Authority. The STTR legislation does not, in and of itself, convey grant authority. Each participating agency must secure grant authority in accordance with its normal procedures.

- q. Conflicts of Interest. Participating agencies are cautioned that awards made to firms owned by or employing current or previous Federal government employees could create conflicts of interest for those

employees in violation of the Ethics in Government Act of 1978 (P.L. 95-521, as amended). Each participating agency should refer to the standards of conduct review procedures currently in effect for its agency to ensure that such conflicts of interest do not arise.

15. STTR PROGRAM ANNUAL REPORT TO SBA

The STTR legislation requires an annual report from the participating agencies in the program. The following paragraphs cite the dates such reports are due, the kinds of information to be included, and the number of copies to be submitted to SBA.

a. Reporting Dates to SBA.

Reporting shall be on an annual basis and will be for the period ending September 30 of each fiscal year. The report is due to SBA by December 31 of each year. Example: The report for FY 1994 (October 1, 1993 - September 30, 1994) should be submitted to SBA by December 31, 1994.

b. Small Business Technology Transfer (STTR) Program

- (1) Agency total fiscal year, for FY 1994 and each year thereafter, extramural research and research and development total obligations as reported to the National Science Foundation pursuant to the annual Budget of the United States Government.
- (2) STTR Program total fiscal year dollars derived by applying the statute per centum to the agencies' extramural research and research and development total obligations.
- (3) STTR Program fiscal year dollars obligated through STTR Program funding agreements for Phase I and Phase II.
- (4) Number of STTR individual solicitations released during the fiscal year and the number of topics and subtopics contained in each solicitation.
- (5) Number of copies of each STTR solicitation distributed by the participating agency.
- (6) Number of proposals received by the agency for each topic and subtopic in each STTR solicitation.
- (7) For both Phase I and Phase II, the STTR awardee's name and address, research institution's name and address, dollar and percent

of award performed by the small business concern and the research institution, solicitation topic and subtopic, solicitation number, project title, and total dollar amount of funding agreement. Identify minority small business, women-owned small business and Phase II awardees with a follow-on funding commitment.

- (8) The names and addresses of small business concerns for whom the Phase I process exceeded the 6-month period from the closing date of the STTR solicitation to award of the funding agreement. (See 14.a.(1)(a) of this policy directive.)
- (9) For an agency Phase III award using non-STTR Federal funds, to continue a Phase II project, the agency shall provide the name, address, project title and dollar amount obligated.
- (10) Report the number of National Critical Technology topic or subtopic funding agreements, the percentage by number and dollar amount of total STTR awards to such National Critical Technologies.

16. SBA PROGRAM TO MONITOR AND SURVEY STTR ACTIVITY

a. Examples of STTR Areas to be Monitored by SBA.

- (1) STTR Funding Allocations. Of major significance to the success of the STTR Program is the magnitude and nature of the agencies' funding allocations identified for fiscal year STTR applications. The STTR legislation explicitly relates to both the definition of the STTR effort, R/R&D (as defined in the Act and OMB Circular A-11), and the mathematical methodology for determining fiscal year participation levels for all work categorized within the statutory definitions. SBA will monitor these allocations.
- (2) STTR Program Solicitation and Award Status. The accomplishment of scheduled STTR events, such as the release of STTR Program solicitations and the award of contract, grant, or cooperative agreements, is critical to meeting statutory mandates and to operating an effective, useful program. SBA plans to monitor these and other operational features of STTR Program implementation including the status of awards taking longer than the 6-month period set forth in 14.a.(1)(a) of this policy directive.

Except in instances where SBA assistance is requested related to a specific STTR project, contract, etc., SBA does not intend to monitor administration of the awards.

- (3) Follow-on Funding Commitments. SBA may monitor whether follow-on non-Federal funding commitments obtained by Phase II awardees for Phase III were considered in the evaluation of Phase II proposals as required by the Act.
- (4) Agency Rules and Regulations. It is essential that no implementing regulation be promulgated by the participating agencies that is inconsistent with or contradicts either the letter or intent of the legislation and this directive. SBA's monitoring activity will include review of rules and regulations and procedures generated to facilitate intra-agency STTR Program implementation.

17. SOCIALLY AND ECONOMICALLY DISADVANTAGED SMALL BUSINESS CONCERNS AND WOMEN-OWNED SMALL BUSINESS CONCERNS

To foster and encourage participation by socially and economically disadvantaged small business concerns in scientific and technological innovation, the legislation establishes as a purpose to improve the Federal government's dissemination of information concerning the Small Business Technology Transfer Program, particularly with regard to program participation by women-owned small business concerns and by socially and economically disadvantaged small business concerns.

- a. To carry out this purpose of the statute, SBA and the Federal participating agencies will make outreach efforts to find and place innovative women-owned small business concerns and socially and economically disadvantaged small business concerns in the STTR Program information system.
- b. The SBA will develop, participate in, and, when appropriate and feasible, sponsor seminars for innovative women-owned small business concerns and socially and economically disadvantaged small business concerns to inform them of the STTR Program.
- c. The SBA will inform women-owned small business concerns and socially and economically disadvantaged small business concerns of Federal and commercial assistance and services available for STTR Program participants.
- d. While these small business concerns will be required to compete for STTR awards on the same basis as all other small business concerns, participating agencies are encouraged to work independently and cooperatively with SBA to develop methods to encourage qualified women-owned small business concerns and socially and economically disadvantaged small business concerns to participate in their STTR Programs.

18. STTR PROGRAM INFORMATION NOTICES

A system of sharing STTR Program and policy information, the STTR Program information notice, will be used for the dissemination of Policy Directive amendments and significant items of mutual interest. Amendments to the Policy Directive will be designated as such and may be by letter. The amendments will be incorporated directly into the Policy Directive at a later date.

APPENDIX

Instructions for STTR Pilot Program Solicitation Preparation

Section 9(p) of the Small Business Act (The Act) (15 U.S.C. 638(p), as amended by P.L. 102-564) requires " . . . simplified, standardized and timely STTR solicitations" (Section 9(p)(2)(A)). Further, the Act requires the STTR Programs of participating agencies to utilize a "uniform process" (15 U.S.C. 638(e)(6), as amended) and that the regulatory burden of participating in the STTR Programs be minimized. Therefore, the following instructions purposely depart from normal government solicitation formats and requirements. STTR solicitations will be prepared and issued as program solicitations in accordance with the following instructions.

Limitation in Size of Solicitation

In the interest of meeting the legislative requirement for simplified and standardized solicitations, the entire STTR solicitation with the exception of Section VIII "Research Topics," described below, shall be limited to 23 pages. There is no page limit on Section VIII, "Research Topics."

Format

STTR Program solicitations will be prepared in a simplified, standardized, easily read and understood format including a cover sheet, a table of contents and the following sections in the order listed (content of each section is discussed below):

- I. Program Description
- II. Definitions
- III. Proposal Preparation Instructions and Requirements
- IV. Method of Selection and Evaluation Criteria
- V. Considerations
- VI. Submission of Proposals
- VII. Scientific and Technical Information Sources
- VIII. Research Topics
- IX. Submission Forms and Certifications

Cover Sheet

The cover sheet or title page of an STTR Program Solicitation shall clearly identify the solicitation as a Small Business Technology Transfer (STTR) Program Solicitation, identify the agency releasing the solicitation, specify date (or dates) on which proposals are due under the solicitation, and state the solicitation number.

Instructions for Preparation of STTR Program Solicitation
Sections I through IX

Program Description

- A. Summarize in narrative form the invitation to submit proposals and the objectives of the STTR Program.
- B. Describe in narrative form the agency's STTR Program including a description of the three phases. Note in your description that the solicitation is for Phase I proposals only.
- C. Describe program eligibility, as follows:

Eligibility. Each concern submitting a proposal must qualify as a small business concern for R/R&D purposes at the time of award. The small business concern will submit a proposal for cooperative research and development with a non-profit research institution as defined in section 4(5) of the Stevenson-Wydler Technology Innovation Act of 1980 (15 U.S.C. 3701), and which includes Federally Funded Research and Development Centers as identified by the National Science Foundation in accordance with the governmentwide Federal Acquisition Regulations.

For both Phase I and Phase II, the R/R & D work must be performed in the United States.

- D. List name, address and telephone number of agency contacts for general information on the STTR Program solicitation.

II. Definitions

Whenever terms are used that are unique to either the STTR Program, a specific STTR solicitation or a portion of a solicitation, they will be defined in a separate section entitled "Definitions." As a minimum, the definitions of "small business concern", "socially and economically disadvantaged small business concern", "cooperative research", "research institution", "women-owned small business concern", and "subcontract" as stated in Paragraph 4 of this policy directive shall be included.

III. Proposal Preparation Instructions and Requirements

The purpose of this section is to inform the proposer on what to include in his or her proposal and to set forth limits on what may be included. It should also provide guidance to assist proposers in improving the quality and acceptance of proposals particularly to firms that may not have previous government experience.

A. Limitations on Length of Proposal. Include at least the following information:

1. STTR Phase I proposals shall not exceed a total of 25 pages, including cover page, budget, and all enclosures or attachments. Pages should be of standard size (8 1/2" X 11"; 21.6 cm X 27.9 cm) and should conform to the standard formatting instructions; in particular, 2.5 cm (1 inch) margins and type no smaller than 10 point font size.

Note: A small business concern, before receiving an STTR award, must negotiate a written agreement between the small business concern and the research institution as discussed in 14h. While an agency may require this agreement to be submitted at the time of proposal, it is not considered to be part of the proposal and is not subject to the page limitation.

2. A notice that no additional attachments, appendices or references beyond the 25-page limitation shall be considered in proposal evaluation and that proposals in excess of the 25-page limitation shall not be considered for review or award.

B. Proposal Cover Sheet. Every proposer will be required to include at least the following information on the first page of proposals. Items 9 and 11 are for statistical purposes only.

1. Agency and Solicitation Number.
2. Topic Number.
3. Subtopic Number.
4. Topic Area.
5. Project Title.
6. Name and Complete Address of Firm.
7. Name and Complete Address of Research Institution.
8. Small Business Certification as follows:

"The above concern certifies it is a small business concern and meets the definition as stated in this solicitation."

9. Socially and Economically Disadvantaged Small Business Concern Certification as follows:

"The above concern certifies that it _____ does _____ does not qualify as a socially and economically disadvantaged small business concern and meets the definition as stated in this solicitation."

10. The small business concern will certify that at least 40 percent of the work is to be performed by the small business concern and at least 30 percent of the work is to be performed by the research institution as follows:

"The above concern certifies that it will perform ____ percent of the work and the research institution will perform ____ percent of the work under this funding agreement."

11. Women-owned Small Business Concern Certification as follows:

The above concern certifies that it ____ does ____ does not qualify as a women-owned small business concern and meets the definition as stated in this solicitation.

12. A disclosure permission statement such as follows may be included at the discretion of the funding agency:

"Will you permit the government to disclose the title and technical abstract page of your proposed project, plus the name, address, and telephone number of the corporate official of your concern, if your proposal does not result in an award, to concerns that may be interested in contacting you for further information?" Yes ____ No ____

13. Signature of a company official of the proposing small business concern and that individual's typed name, title, address, telephone number, and date of signature.

14. Signature of Principal Investigator or Project Manager and that individual's typed name, organization, title, address, telephone number, and date of signature.

15. Legend for proprietary information as described in the "Considerations" section of this program solicitation if appropriate.

C. Abstract or Summary. Proposers will be required to include a one-page project summary of the proposed R/R&D including at least the following:

1. Name and address of small business concern.
2. Name and address of cooperative research institution.
3. Name and title of principal investigator or project manager.
4. Agency name, solicitation number, solicitation topic and subtopic.

5. Title of project.
6. Technical abstract, limited to two hundred words.
7. Summary of the anticipated results and implications of the approach (both Phases I and II).
8. Summary of the potential commercial applications of the research.

D. Technical Content. STTR Program solicitations shall require as a minimum the following to be included in proposals submitted thereunder:

1. Identification and Significance of the Problem or Opportunity. A clear statement of the specific technical problem or opportunity addressed.
2. Phase I Technical Objectives. State the specific objectives of the Phase I research and development effort, including the technical questions it will try to answer to determine the feasibility of the proposed approach.
3. Phase I Work Plan. A detailed description of the Phase I R/R&D plan. The plan should indicate what will be done, where it will be done and how the R/R&D will be carried out. Phase I R/R&D should address the objectives and the questions cited in D.2. above. The methods planned to achieve each objective or task should be discussed in detail. The work plan will specifically address the amount and type of work to be performed by the small business concern and by the research institution.
4. Related Research or Research and Development. Describe significant R/R&D that is directly related to the proposal including any conducted by the project manager/principal investigator or by the proposing small business concern. Describe how it relates to the proposed effort, and any planned coordination with outside sources. The proposer must persuade reviewers of his or her awareness of key recent R/R&D conducted by others in the specific topic area.
5. Key Personnel and Bibliography of Directly Related Work. Identify key personnel involved in Phase I including their directly related education, experience, and bibliographic information. Where vitae are extensive, summaries that focus on the most relevant experience or publications are desired and may be necessary to meet the proposal size limitation.
6. Relationship with Future Research or Research and Development.
 - a. State the anticipated results of the proposed approach if the project is successful (Phase I and II).

- b. Discuss the significance of the Phase I effort in providing a foundation for the Phase II R/R&D effort.
7. Facilities. A detailed description, availability and location of instrumentation and physical facilities proposed for Phase I should be provided.
8. Consultants. Involvement of consultants in the planning and research stages of the project is permitted.
 - a. If such involvement is intended, it should be described in detail.
9. Potential Post Applications. Briefly describe:
 - a. Whether and by what means the proposed project appears to have potential commercial application.
 - b. Whether and by what means the proposed project appears to have potential use by the Federal government.
10. Similar Proposals or Awards. A firm may elect to submit proposals for essentially equivalent work under other Federal program solicitations, or may have received other Federal awards for essentially equivalent work. In these cases, a statement must be included in each such proposal indicating:
 - a. The name and address of the agencies to which proposals were submitted or from which awards were received.
 - b. Date of proposal submission or date of award.
 - c. Title, number, and date of solicitations under which proposals were submitted or awards received.
 - d. The specific applicable research topics for each proposal submitted or award received.
 - e. Titles of research projects.
 - f. Name and title of project manager or principal investigator for each proposal submitted or award received.
- E. Cost Breakdown/Proposed Budget. The solicitation will require the submission of simplified cost or budget data.

- F. Allocation of Rights. The solicitation will require that a small business concern negotiate a written agreement between the small business concern and the research institution allocating intellectual property rights and rights, if any, to carry out follow-on research, development or commercialization.
- G. Written Cooperative Agreement. The proposing small business concern is to provide an original of the agreement between the small business concern and the research institution. The agreement is to include the signature of an official of the small business concern and the signature of an official of the research institution.

IV. Method of Selection and Evaluation Criteria

- A. Standard Statement. Essentially the following statement shall be included in all STTR Program solicitations:

All Phase I and II proposals will be evaluated and judged on a competitive basis. Proposals will be initially screened to determine responsiveness. Proposals passing this initial screening will be technically evaluated by engineers or scientists to determine the most promising technical and scientific approaches. Each proposal will be judged on its own merit. The agency is under no obligation to fund any proposal or any specific number of proposals in a given topic. It also may elect to fund several or none of the proposed approaches to the same topic or subtopic.

Phase II proposals may only be submitted by Phase I award winners within the same agency.

- B. Evaluation Criteria.

1. The agency in its evaluation process shall develop a standardized method that will consider as a minimum the following factors:
 - a. The technical approach and the anticipated agency and commercial benefits that may be derived from the research.
 - b. The adequacy of the proposed effort and its relationship to the fulfillment of requirements of the research topic or subtopics.
 - c. The soundness and technical merit of the proposed approach and its incremental progress toward topic or subtopic solution.
 - d. Qualifications of the proposed principal/key investigators supporting staff and consultants.

e. In Phase II, evaluations of proposals require, among other things, consideration of a proposal's commercial potential as evidenced by:

- (1) the small business concern's record of commercializing STTR or other research,
- (2) the existence of second phase funding commitments from private sector or non-STTR funding sources,
- (3) the existence of third phase follow-on commitments for the subject of the research, and,
- (4) the presence of other indicators of commercial potential of the idea.

2. The factors in subparagraph B.1. and other appropriate evaluation criteria, if any, shall be specified in the "Method of Selection" section of STTR Program solicitations.

C. Peer Review. If it is contemplated that as a part of STTR proposal evaluation external peer review will be used, the program solicitation must so indicate.

D. Release of Proposal Review Information. After final award decisions have been announced, the technical evaluations of the proposer's proposal may be provided to the proposer. The identity of the reviewer shall not be disclosed.

V. Considerations

This section shall include, as a minimum, the following information:

A. Awards. Indicate the estimated number and type of awards anticipated under the particular STTR Program solicitation in question including:

1. Approximate number of Phase I awards expected to be made.
2. Type of funding agreement, i.e., contract, grant or cooperative agreement.
3. Whether fee or profit will be allowed.
4. Cost basis of funding agreement, e.g., grant, firm-fixed-price, cost reimbursement, or cost-plus-fixed fee.

5. Information on the approximate average dollar value of awards for Phase I and Phase II.

- B. Reports. Describe the frequency and nature of reports that will be required under Phase I funding agreements. Interim reports should be brief letter reports.
- C. Payment Schedule. Specify the method and frequency of progress and final payment under Phase I and Phase II agreements.
- D. Innovations, Inventions and Patents.

1. Limited Rights Information and Data.

- a. Proprietary Information. Essentially the following statement shall be included in all STTR solicitations:

Information contained in unsuccessful proposals will remain the property of the proposer. The government may, however, retain copies of all proposals. Public release of information in any proposal submitted will be subject to existing statutory and regulatory requirements.

If proprietary information is provided by a proposer in a proposal which constitutes a trade secret, proprietary commercial or financial information, confidential personal information or data affecting the national security, it will be treated in confidence, to the extent permitted by law, provided this information is clearly marked by the proposer with the term "confidential proprietary information" and provided the following legend appears on the title page of the proposal:

"For any purpose other than to evaluate the proposal, this data shall not be disclosed outside the government and shall not be duplicated, used, or disclosed in whole or in part, provided that if a funding agreement is awarded to this proposer as a result of or in connection with the submission of this data, the government shall have the right to duplicate, use, or disclose the data to the extent provided in the funding agreement. This restriction does not limit the government's right to use information contained in the data if it is obtained from another source without restriction. The data subject to this restriction are contained on pages ____ of this proposal."

Any other legend may be unacceptable to the government and may constitute grounds for removing the proposal from further consideration and without assuming any liability for inadvertent disclosure. The government will limit dissemination of such information to within official channels.

- b. Alternative To Minimize Proprietary Information. Agencies may elect to instruct proposers to:

- (1) Limit proprietary information to only that absolutely essential to their proposal.
- (2) Provide proprietary information on a separate page with a numbering system to key it to the appropriate place in the proposal.

- c. Rights in Data Developed Under STTR Funding Agreements. To notify the small business concern of the policy stated in Para. 14.g. of this policy directive, essentially the following statement will be included in all STTR Program solicitations:

"These STTR data are furnished with STTR rights under Contract No. ____ (and subcontract ____ if appropriate). For a period of ____ years (at least 4 years) after acceptance of all items to be delivered under this contract, the government agrees to use these data for government purposes only, and they shall not be disclosed outside the government (including disclosure for procurement purposes) during such period without permission of the contractor, except that, subject to the foregoing use and disclosure prohibitions, such data may be disclosed for use by support contractors. After the aforesaid ____ year (at least 4 years) period the government has a royalty-free license to use, and to authorize others to use on its behalf, these data for government purposes, but is relieved of all disclosure prohibitions and assumes no liability for unauthorized use of these data by third parties. This Notice shall be affixed to any reproductions of these data, in whole or in part."

- d. Copyrights. Include an appropriate statement concerning copyrights and publications; for example:

"With prior written permission of the contracting officer, the awardee normally may copyright and publish (consistent with appropriate national security

considerations, if any) material developed with (agency name) support. (Agency name) receives a royalty-free license for the Federal government and requires that each publication contain an appropriate acknowledgement and disclaimer statement."

- e. Patents. Include an appropriate statement concerning patents; for example:

"Small business concerns normally may retain the principal worldwide patent rights to any invention developed with government support. The government receives a royalty-free license for Federal government use, reserves the right to require the patentholder to license others in certain circumstances, and requires that anyone exclusively licensed to sell the invention in the United States must normally manufacture it domestically. To the extent authorized by 35 U.S.C. 205, the government will not make public any information disclosing a government-supported invention for a ___ year (at least 4 years) period to allow the awardee a reasonable time to pursue a patent."

- E. Cost-Sharing. Unless in conflict with another statute, include a statement essentially as follows:

"Cost-sharing is permitted for proposals under this program solicitation; however, cost-sharing is not required. Cost-sharing will not be an evaluation factor in consideration of your Phase I proposal."

Where cost-sharing is required by statute, include an appropriate statement.

- F. Profit or Fee. Include a statement on the payment of profit or fee on awards made under the STTR Program solicitation.

- G. Joint Ventures or Limited Partnerships. Include essentially the following language:

"Joint ventures and limited partnerships are eligible to participate provided the entity created qualifies as a small business as defined in this program solicitation."

- H. Research and Analytical Work. Include essentially the following statement:

"The STTR Pilot Program is a cooperative research or research and development effort conducted jointly by a small business concern

and a research institution in which not less than 40 percent of the work is performed by the small business concern and not less than 30 percent of the work is performed by the research institution."

- I. Contractor Commitments. To meet the legislative requirement that STTR solicitations be simplified, standardized and uniform, clauses expected to be in or required to be included in STTR funding agreements shall not be included in full or by reference in STTR Program solicitations. Rather, proposers shall be advised that they will be required to make certain legal commitments at the time of execution of funding agreements resulting from STTR Program solicitations. Essentially, the following statement shall be included in the "Consideration" section of STTR Program solicitations:

"Upon award of a funding agreement, the awardee will be required to make certain legal commitments through acceptance of numerous clauses in Phase I funding agreements. The outline that follows is illustrative of the types of clauses to which the contractor would be committed. This list should not be understood to represent a complete list of clauses to be included in Phase I funding agreements, or to be specific wording of such clauses. Copies of complete terms and conditions are available upon request."

- J. Summary Statements. The following are illustrative of the type of summary statements to be included immediately following the statement in the subparagraph I. These statements are examples only and may vary depending upon the type of funding agreement.

1. Standards of Work. Work performed under the funding agreement must conform to high professional standards.
2. Inspection. Work performed under the funding agreement is subject to government inspection and evaluation at all times.
3. Examination of Records. The Comptroller General or other Federal auditor organization shall have the right to examine any directly pertinent records of the awardee involving transactions related to this funding agreement.
4. Default. The government may terminate the funding agreement if the contractor fails to perform the work contracted.
5. Termination for Convenience. The STTR funding agreement may be terminated at any time by the government if it deems termination to be in its best interest, in which case the awardee will be compensated for work performed and for reasonable termination costs.

6. Disputes. Any dispute concerning the funding agreement which cannot be resolved by agreement shall be decided by the contracting officer with right of appeal.
 7. Contract Work Hours. The awardee may not require an employee to work more than eight hours a day or forty hours a week unless the employee is compensated accordingly (e.g., overtime pay).
 8. Equal Opportunity. The awardee will not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin.
 9. Affirmative Action for Veterans. The awardee will not discriminate against any employee or application for employment because he or she is a disabled veteran or veteran of the Vietnam era.
 10. Affirmative Action for Handicapped. The awardee will not discriminate against any employee or applicant for employment because he or she is physically or mentally handicapped.
 11. Officials Not To Benefit. No government official shall benefit personally from the STTR funding agreement.
 12. Covenant Against Contingent Fees. No person or agency has been employed to solicit or secure the funding agreement upon an understanding for compensation except bonafide employees or commercial agencies maintained by the awardee for the purpose of securing business.
 13. Gratuities. The funding agreement may be terminated by the government if any gratuities have been offered to any representative of the government to secure the contract.
 14. Patent Infringement. The awardee shall report each notice or claim of patent infringement based on the performance of the funding agreement.
- K. Additional Information. Information pertinent to an understanding of the administration requirements of STTR proposals and funding agreements not included elsewhere shall be included in this section. As a minimum, statements essentially as follows shall be included under "Additional Information" in STTR Program solicitations:
1. This program solicitation is intended for informational purposes and reflects current planning. If there is any inconsistency between the information contained herein and the terms of any resulting STTR funding agreement, the terms of the funding agreement are controlling.

2. Before award of an STTR funding agreement, the government may request the proposer to submit certain organizational, management, personnel, and financial information to assure responsibility of the proposer.
3. The government is not responsible for any monies expended by the proposer before award of any funding agreement.
4. This program solicitation is not an offer by the government and does not obligate the government to make any specific number of awards. Also, awards under the STTR Program are contingent upon the availability of funds.
5. The STTR Program is not a substitute for existing unsolicited proposal mechanisms. Unsolicited proposals shall not be accepted under the STTR Program in either Phase I or Phase II.
6. If an award is made pursuant to a proposal submitted under this STTR Program solicitation, the contractor or grantee or party to a cooperative agreement will be required to certify that he or she has not previously been, nor is currently being, paid for essentially equivalent work by any agency of the Federal government.

VI. Submission of Proposals

- A. This section shall clearly specify the closing date on which all proposals are due to be received.
- B. This section shall specify the number of copies of the proposal that are to be submitted.
- C. This section shall clearly set forth the complete mailing and/or delivery address(es) where proposals are to be submitted.
- D. This section may include other instructions such as the following:
 1. Bindings. Please do not use special bindings or covers. Staple the pages in the upper left corner of the cover sheet of each proposal.
 2. Packaging. All copies of a proposal should be sent in the same package.

VII. Scientific and Technical Information Sources

Wherever descriptions of research topics or subtopics include reference to publications, information on where such publications will normally be available shall be included in a separate section of the solicitation entitled "Scientific and Technical Information Sources."

VIII. Research Topics

Describe the R/R&D topics and subtopics for which proposals are being solicited sufficiently to inform the proposer of technical details of what is desired while leaving sufficient flexibility in order to obtain the greatest degree of creativity and innovation consistent with the overall objectives of the STTR Programs.

IX. Submission Forms and Certifications

Up to three copies each of proposal preparation forms necessary to the contracting and granting process may be required. This section may include Proposal Summary, Proposal Cover, Budget, Checklist, and other forms the sole purpose of which is to meet the mandate of law or regulation and simplify the submission of proposals.

This section may also include certifying forms required by legislation, regulation or standard operating procedures, to be submitted by the proposer to the contracting or granting agency. This would include certifying forms such as those for the protection of human and animal subjects.